

January 7, 2003

Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

**APPROVE LOAN INCREASE FOR HAVENHURST APARTMENTS
IN THE CITY OF WEST HOLLYWOOD (3)
(3 Vote)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Acting as a responsible agency pursuant to the California Environmental Quality Act (CEQA), certify that the Board of Commissioners of the Community Development Commission has considered the attached Mitigated Negative Declaration adopted by the City of West Hollywood, as lead agency, and find that the mitigation measures adopted by the City of West Hollywood, and included in the Mitigation Monitoring and Reporting Program, in conjunction with additional mitigation measures identified in the Environmental Assessment, are adequate to avoid significant effects on the environment.
2. Approve an increase to the Home Investment Partnerships (HOME) Program Loan Agreement between the Community Development Commission and the West Hollywood Community Housing Corporation (the Developer), a California nonprofit corporation, to increase funding by \$655,670, from \$1,035,769 to \$1,691,439, for the development of 20 units as part of the Havenhurst Apartments, a 24-unit affordable rental development to be located at 1433 Havenhurst Drive in the City of West Hollywood, which will be executed by the Executive Director and all other parties, as previously authorized by the Board.
3. Authorize the Executive Director to incorporate \$1,691,439 in HOME funds into the Commission's Fiscal Year 2002-2003 approved budget, for the purposes described above.

PURPOSE/ JUSTIFICATION OF RECOMMENDED ACTION:

The additional funds are needed due to increased project costs.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund.

On August 14, 2001, your Board authorized the Executive Director to negotiate and execute with the Developer a Loan Agreement in the amount of \$1,035,769. This agreement has not yet been executed.

The Developer's previous proposal included 9% Low-Income Housing Tax Credits. Due to the competitive process of this Program, and to the reduction of other funding sources, the Developer has elected to completely restructure the financing scenario. Instead, the project will apply for 4% Low-Income Housing Tax Credits that are subsidized with tax-exempt bonds, which typically yield a lesser amount of tax credits. In the meantime, the project costs have also increased, resulting in a total shortfall of \$979,878.

This restructuring will require an increase in the Commission's original loan amount. The revised Commission loan of \$1,691,439 in HOME funds will be used for site acquisition, pre-development, construction and permanent financing. From the date of release of funds, the HOME loan will accrue interest at three percent simple annual interest. Following completion of construction, the loan will convert to a HOME permanent loan, at three percent simple annual interest with a 30-year term, evidenced by a Promissory Note and secured by a Deed of Trust. The loan will be repaid from residual rental receipts. If at the maturity date there is no event of default by Developer, the Commission will forgive any accrued interest.

The Housing Authority of the County of Los Angeles will issue mortgage revenue bonds of up to \$2,900,000 for construction financing, which, along with other construction funding, will be repaid from permanent funding sources. In addition to the Commission's loan of \$1,691,439, these permanent funding sources now include a \$1,818,665 loan from the City of West Hollywood (an increase of \$655,665), a total of \$1,618,910 in 4% Low-Income Housing Tax Credits, a \$103,500 grant from the Affordable Housing Program, developer equity of \$101,893, and a \$108,078 deferred developer fee.

The revised total development cost is \$5,442,485. A Financial Analysis for the project is provided as Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The project will consist of 21 one-bedroom units, two efficiency units and a manager's unit, situated on the top of a 25-space subterranean garage. The site, just south of Sunset Boulevard, is in close proximity to community, recreational and supportive services. The units, all configured around a courtyard, have large balconies or patios, and the facility also offers a large community room, a computer room, central laundry and an elevator.

The HOME loan will fund development of 20 of the units, including 18 one-bedroom units and two efficiency units, all of which will be reserved for very low-income households earning up to 50 percent of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development (HUD). Due to the increase in the amount of the Commission's loan, the affordability term has been extended to 55 years.

The loan documents will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

On July 17, 2001, your Board adopted a Finding of No Significant Impact on the environment for this project, in compliance with the National Environmental Policy Act (NEPA) of 1969. Your Board's consideration of the City of West Hollywood's Mitigated Negative Declaration, adopted by the City on March 7, 2002, satisfies California Environmental Quality Act (CEQA) requirements.

IMPACT ON CURRENT PROJECT:

Approval of the loan increase will allow the project to proceed, which will increase the supply of affordable housing in the County.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Attachments: 2

Attachment A

HOUSING FINANCIAL ANALYSIS

Havenhurst Apartments
West Hollywood Community Housing Corporation
1433 Havenhurst Drive, West Hollywood

The project consists of 24 affordable rental units and one manager's unit, to be located at 1433 Havenhurst Drive in the City of West Hollywood. The HOME-assisted units will be comprised of 20 units, all of which will be reserved for very low-income households, defined as those with incomes at or below 50 percent of the Area Median Income (AMI) for the Los Angeles/Long Beach Metropolitan Statistical Area (MSA), as determined by the U.S. Department of Housing and Urban Development (HUD).

The following is a financial analysis of the project.

DEVELOPMENT PHASE	Total	Per Unit
<u>Uses</u>		
Total Development Cost	\$5,407,758	\$225,323
<u>Sources</u>		
Commission HOME loan	1,691,439	70,477
Affordable Housing Program Grant	103,500	4,313
Deferred Developer Fee	168,958	7,040
Deferred Costs	40,458	1,686
Housing Authority bonds	2,900,000	120,833
Developer equity	100,000	4,167
Tax credit equity	438,130	18,255
Total	\$5,442,485	\$494,771
PERMANENT PHASE		
<u>Uses</u>		
Total Development Cost	\$5,442,485	\$494,771
<u>Sources</u>		
City of West Hollywood	1,818,665	75,778
Commission HOME loan	1,691,439	70,477
Affordable Housing Program Grant	103,500	4,313
Deferred Developer Fee	108,078	4,503
Developer equity	101,893	4,246
Tax credit equity	1,618,910	67,455
Total	\$5,442,485	494,771

CITY OF WEST HOLLYWOOD
MITIGATED NEGATIVE DECLARATION

CASE NUMBER: Development Permit 2001-31; Demolition Permit 2001-16;
Request for Density Bonus and Waiver of Standards
APPLICANT: West Hollywood Community Housing Corporation
1433 Havenhurst Drive, West Hollywood

PROJECT DESCRIPTION: Demolition of two residential structures and the construction of a 24-unit building for households with low incomes. The request for density bonus includes 7 density bonus units above the otherwise permissible 17 units allowed on the site. The waiver of standards involves a reduced rear-yard setback and a request for reduction in required parking spaces.

PROJECT LOCATION: North Havenhurst Drive, just south of Sunset Boulevard, West Hollywood, California

On the basis of the Initial Study prepared for the project, it has been determined that the project has been modified to incorporate the mitigation measures listed below so that it would not have a potentially significant effect on the environment. A copy of the Initial Study is attached. Other materials which constitute the basis upon which the decision to adopt this Mitigated Negative Declaration is to be based are available for review at the Community Development Department, 8300 Santa Monica Boulevard, West Hollywood, CA 90909.

This document constitutes a Mitigated Negative Declaration. The mitigation measures are attached.

RESPONSIBLE AGENCIES: City of West Hollywood
L. A. County Community Development Commission

Notice Pursuant to Section 21092.5 of the Public Resources Code:

A Public Hearing will be held in the West Hollywood Auditorium, 647 N. San Vicente Boulevard, West Hollywood, California on March 7, 2002 at 6:30 p.m. to consider this project. At that time, any interested person is welcome to attend and be heard on this matter.

Prior to the Public Hearing, the public is invited to submit written comments on this Mitigated Negative Declaration to the West Hollywood Planning Division, attention: Timothy Foy at 8300 Santa Monica Boulevard, West Hollywood, CA 90069, or phone (323) 848-6475. Please refer to the Case Number listed above.